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Does stakeholder engagement result in new drinks? Evidence from family owned SMEs

Abstract

This paper aims to explore the role of stakeholder engagement in the link between innovativeness and the final innovation outcome (i.e. innovative products) in the case of SMEs in the beverage sector. Four case studies based on small, family owned Italian producers of alcoholic beverages explore to what extent the concept of radical or incremental innovation might be applied to the context of new drinks and the role of internal stakeholders. In particular, our study reveals the resources and innovativeness patterns that should be fostered in order to generate the desired innovation outcomes in the alcoholic beverage sector, in terms of new drinks. Particularly in the context of SMEs that use local ingredients, local branding and local manufacture, innovation management would benefit from a stronger engagement with stakeholders, which is still underestimated by the current innovation culture.

Keywords: Innovation management; SMEs; Family owned, Entrepreneurship; Stakeholder engagement; New product development (NPD)

1. Introduction

Due to increasing market uncertainty, firms are being forced to innovate in order to maintain business profitability (Ardito, Messeni-Petruzzelli, & Albino, 2015; Baregheh, Rowley, Sambrook, & Davies, 2012; Pantano & Viassone, 2014). While innovation is a broad concept, the most common classification is based on product, process and organizational innovation (Rennings, Markewitz, & Vögele, 2013; Volberda, Van Den Bosch, & Heij, 2013). The first is linked to both the changes or improvements in existing goods, as well as to the development of a firm's new products; the second focuses on the changes occurring in the means of producing/manufacturing outcomes, while the last one concerns new forms of management and organizational structure. Although family owned SMEs have a serious impact on economic growth (Memili, Fang, Chrisman, & De Massis, 2015) and can achieve competitive advantage through innovation, their innovation potential is still scarcely developed (De Massis et al., 2016). Similarly, research conducted has demonstrated the extent to which the nature of this kind of business (the so-called family business) influences their innovation decision in terms of innovation outcomes at the discretion of the family to identify, allocate and utilize its resources (De Massis, Kotlar, Chua, & Chrisman, 2014).

Undoubtedly the food and beverage industry plays a crucial role in the EU economy, as it is considered the largest manufacturer, generating more than €1.1 trillion (with €230 billion in value added). The sector is the leading job provider, as it is a direct employer of 4.57 million people. Almost 290,000 SMEs operate in the industry, generating nearly 50% of the industry's turnover and value added, providing at the same time two thirds of the employment opportunities (FoodDrinkEurope, 2018).

Due to the small size of food and beverage enterprises, they do not often have sufficient capacity to efficiently innovate in terms of putting Research and Development (R&D) initiatives into action in an attempt to create or improve products and processes. In fact, small

resources (e.g. financial resources, human capital) may act as a restriction on the ability of innovating (Choudrie & Culkin, 2013; Healy, Ledwith, & O'Dwyer, 2014). A tool to enhance this process is the utilization of internal stakeholders such as employees (Schweisfurth & Herstatt, 2016), and potential cooperation with external stakeholders (Brunswicker & Vanhaverbeke, 2015) such as customers (Chen, Weng, & Huang, 2018; Cui & Wu, 2016) and universities (Muscio & Nardone, 2012). The fact that small and medium enterprises (SMEs) are mainly run as family businesses signifies that the entrepreneurs' beliefs, attitudes as well as their response to the introduction of innovations are critically influenced by their own culture, skills, and vision (Avermaete et al., 2004; Bhaskaran, 2006; Capitanio et al., 2009; Werner Schröder, & Chlosta, 2018).

Previous studies exploring the food and beverages sector setting recognize the importance of innovating for the food and beverage sector, together with the limitations emerging from their small size (e.g. Baregheh et al., 2012; Capitanio, Coppola, & Pascucci, 2009; Faerne et al., 2013; Martinez, Lazzarotti, Manzini, & Garcia, 2014; Moskowitz et al., 2006; Muscio, Nardone, & Dottore, 2010). However, while studies indicated the ability of companies to transfer proprietary inventions in new products as a driver of innovation (Ardito et al., 2015), innovation drivers in the food and beverage sector are mainly based on the technology push conditions, namely the ability to adopt new technologies to improve the production process, and the demand-pull pressure, which is actually linked to the need to satisfy consumers' requests (Muscio & Nardone, 2012; Pantano & Viassone, 2014). Past studies have made a preliminary attempt to investigate the link between innovativeness, that is the capacity of a company to innovate, and innovative output (i.e. the effective innovation in terms of new food or drinks) by highlighting the significance of innovating for business profitability (Artz et al., 2010; Pantano, 2014). However, those studies were more focused on the necessity to innovate (Artz et al., 2010; Pantano, 2014; Song et al., 2011) or on how to ameliorate the

innovation process (Baer and Frese, 2003; Dieguex-Soto et al., 2016; Rubera et al., 2010; Tielinck, 2017), rather than to establish an effective link between the innovativeness and innovation outcomes on the beverage sector. Within this framework, the fundamental aim of this paper is to explore the link between innovativeness and new products in the alcoholic beverage sector, with the emphasis being placed on the role played by internal stakeholder engagement.

Stakeholder engagement on the other hand, has recently received a growing interest from academics and practitioners as a research topic (Viglia, Pera, & Bigne, 2018). While companies have various stakeholders (Freeman et al, 2010; Ind, Iglesias, & Markovic, 2017), Markovic and Bagherzadeh (2018) rightly point out that most empirical studies focus mainly on customers as the key stakeholders (e.g. Brodie, Hollebeek, Jurić, & Ilić, 2011; Chen, Weng, & Huang, 2018; Hoyer et al., 2010; Kumar & Pansari, 2016; Seiffert-Brockmann, Weitzl, & Henriks, 2018). Furthermore, Kumar and Pansari (2016), assert that it is vital for a company to engage both its customers and the employees. However, the employees seem to be neglected as few empirical studies include them (Kumar & Pansari, 2016; Schweisfurth, & Herstatt, 2016). In an attempt to address this gap, the present study focuses on the role of key, internal stakeholders such as employees, R&D/production managers and owners (Ayuso, Rodríguez, García-Castro, & Ariño, 2011; Neubaum, Dibrell, & Craig, 2012).

Thus, two research questions arise in this context:

RQ1: How does the link between innovativeness and the final innovation outcome in the case of family owned SMEs in the alcoholic beverage sector occur?

RQ2: How can the stakeholder engagement impact this link?

To answer these questions, we adopted a qualitative approach, by using a multiple case study methodology based on four case studies involving family owned small sized-Italian enterprises specializing in alcoholic beverage production (liquors or wines). Lefebvre, De Steur,

and Gellynck (2015) call for more empirical research on how SMEs in the food sector make use of their relationships with stakeholders to innovate, since there is still a scarcity of studies in the area, with controversial findings. Furthermore, Watson et al. (2018) explain the necessity for more qualitative research on the role of stakeholder engagement in innovation process. Therefore, the findings of the current study aim to enrich our knowledge of innovation in the alcoholic beverage sector by providing a more thorough understanding of the peculiarities of the innovation processes affecting this sector and the role of internal stakeholders such as employees. Santoro, Vrontis and Pastore (2017) assert that single-industry studies may be appropriate for assessing innovation performance, since the knowledge and practices involved in innovation processes are likely to be homogeneous. Along these lines, the current study aspires to offer valuable insights to both academics and practitioners and could serve as a basis for future studies.

The first part of this paper focuses on the theoretical background. An analysis of the different types of innovation in the food and beverage sector is provided together with a critical review of the main research on innovative measures taken by the SMEs in this sector; also, the importance of stakeholder engagement is explored. The next section analyzes the aforementioned case studies and maps the patterns in the firms' innovativeness and innovation outcomes in terms of new alcoholic beverages (liquors or wines). Such insights are particularly relevant for management theory and practice since they demonstrate what kind of internal resources should be fostered to generate the desired innovative outcome.

2. Theoretical background

2.1. Defining innovation

Innovation involves several changes in organizations, while a great number of definitions and classifications have been put forward. In this study we follow the work of Tidd

and Bessant (2015) who have defined and categorized innovation under the following categories: (i) product innovation (changes in things such as products or services an organization offers), (ii) process innovation (changes in the ways the organization create and deliver products and services), (iii) position innovation (changes in the context in which the products/services are introduced), and (iv) paradigm innovation (changes in the underlying mental models which frame what the organization does). However, the present work focuses fundamentally on product innovation that can be further classified as radical or incremental based on the level of the impact on the organization (Chiva, Ghauri, & Alegre, 2013; Valle & Bustelo, 2009; Volberda, Van Den Bosch, & Heij, 2013). The implementation of radical innovation implies a high level of risk due to the market (i.e. latent demand that makes a product's requirement unarticulated) and technical/technological uncertainty (Brettel, Heinemann, Engelen, & Neubauer, 2011; Laforet, 2013; Pantano, Iazzolino, & Migliano, 2013; Song & Montoya-Weiss, 1998). In fact, they represent a sort of "breakthrough" innovation (Verganti, 2011) which entails revolutionary changes and a significant transformation of existing practices, characterized by discontinuity with the market and technical/technological factors; this type of innovation creates new products (with no links to previous ones). On the other hand, incremental innovations are linked to enhancements in existing product design, consumer demand processes and levels of efficiency (i.e. cost reduction) (Varadarajan, 2009). Hence, incremental innovations are additional features embedded in products or processes; unlike radical innovations, these arise from existing skills and competences (Benner & Tushman, 2003). As a consequence, the emerging new product bears links to its previous versions.

2.2. Innovation management in food and beverage SMEs

Although the importance of product innovation is required for achieving superior value for the food sector (Ziggers, 2005), the beverage sector is mostly oriented towards process innovation (i.e. innovation in manufacturing) rather than product innovation (innovation in new drinks) (Capitanio et al., 2010; Fassio, 2012). For instance, by developing new models for improving the efficiency within the food supply chain (i.e. reduction in inventories and better communication processes and supply chain coordination) (Mangina & Vlachos, 2005; Zarei, Nasser, & Tajeddin, 2011). Furthermore, the food and beverage sector is characterized by a higher level of incremental innovation, both due to the conservative demand of this sector, which also pushes producers towards incremental innovation of emerging outcomes (Capitanio et al., 2009), and the huge presence of SMEs involved in the sector (Muscio et al., 2010). Their small size also implies that SMEs have limited capacity in terms of R&D and limited technological skills compared with large enterprises (Dadura & Lee, 2011; Muscio et al., 2010), while innovation is strictly linked to the firm's effort in R&D (Ebersberger & Herstad, 2011).

Due to the larger presence of SMEs in the food and beverage sector, the investments in R&D are not sufficient as a measurement scale for evaluating the innovativeness of these companies (Avermaete et al., 2004; Capitanio et al., 2010). In fact, past studies on this topic explored to what extent SMEs tend to act as followers rather than pioneers (Vignali & Curland, 2008).

Moreover, the capacity to innovate (innovativeness) has been considered by many authors as a driver of success for organizations, since it is amongst the most significant factors in terms of influencing firms' performance (Cillo, De Luca, & Troilo, 2010; Hult, Hurley, & Knight, 2004; Jain, Triandis, & Weick, 2010; Porter, 1990; Rhee, Park, & Lee, 2009). Innovativeness plays an even more critical role for SMEs, which are characterized by:

- (i) unstructured R&D activities and processes in comparison to large firms, (Banterle, Cavaliere, Carraresi, & Stranieri, 2011; Muscio et al., 2010),
- (ii) a strong integration in the region where they are located (i.e. the external relations of SMEs are more confined in the region in which they operate);
- (iii) a large usage of tacit, rather than codified, knowledge when they develop innovation projects related to products, processes or organizational innovation, where the tacit knowledge is favored (Kaufmann & Tödling, 2002; Radas & Božić, 2009); and, finally,
- (iv) limited capacities regarding access to financial resources (Banterle et al., 2011; Poolton, Ismail, Reid, & Arokiam, 2006).

Therefore, one may acknowledge that the majority of previous studies focused more on the improvement of innovation process and the R&D performance, and less on the link between innovativeness and innovation outcome (new drinks).

2.3. Stakeholder engagement

In today's complex, dynamic, and interconnected environment (Curado, Munoz-Pascual & Galende, 2018), companies widely embrace the concept of stakeholders (Hatherly, Mitchell, Mitchell, & Lee, 2017). Thus, companies cooperating smoothly with their stakeholders can achieve success, as the central idea of stakeholder theory suggests (Henisz, Dorobantu, & Nartey, 2014; Minoja, 2012; Tullberg, 2013).

Stakeholder theory was introduced by Freeman in his work in 1984, where he described stakeholders as individuals, groups, or organizations that can either affect or be affected by corporate decisions. All organizations have to deal with a broad range of stakeholders (i.e. employees, suppliers, local authorities, etc.). For Freeman et al. (2010), suppliers, customers, and employees are defined as internal, while governments and NGOs are classified as external. Clarkson (1995) distinguished them into primary and secondary

stakeholders, with primary being crucial for the survival of the organization. The primary stakeholders include shareholders, customers, employees, suppliers, as well as public stakeholders of governments and communities. Secondary stakeholders are those who affect or are affected by the organization, but without direct interaction with the organization; and they normally include interest groups and media upon which the organization does not depend, but may sometimes have a negative impact on firms. In addition, Blok, Hoffmans, and Wubben (2015) identified two types of stakeholders: the economic stakeholders such as employees and suppliers, and the non-economic ones, for example NGOs and research institutes. Neubaum et al. (2012) further explain that external stakeholders are suppliers, customers, governments, competitors, civil society organizations, the local community, and the environment, while internal ones are employees, shareholders or family members when family firms are examined.

Regardless of the type of classification applied, stakeholders have a legitimate interest in the processes and products of the company, and therefore all companies must take these interests into serious account (Donaldson & Preston, 1995). Therefore, engagement can be viewed as a practical method for the development of ongoing relationships with relevant stakeholders (Smith, Ansett, & Erez, 2011), and it is a key factor in the implementation of value creation (Baden, 2010; Blackburn, Hooper, Abratt, & Brown, 2018; Verbeke & Tung, 2013), building lasting and mutually beneficial relationships (Maak, 2007); these relationships may lead to higher financial returns (Henisz, Dorobantu, & Nartey, 2014) and competitive advantage (Verbeke and Tung, 2013). Kumar and Pansari (2016) have rightly pointed out that engagement represents co-creation, interaction, and solution development. However, the level of engagement depends on a company's characteristics, its consciousness, as well as its ability, willingness, and interests (Pedersen, 2006; Rodriguez et al., 2002).

Other scholars (see Freeman, Harrison, & Wicks, 2007), consider stakeholder engagement to be the creation of values by building a sustainable relationship between business

and different stakeholders. As a result, stakeholder engagement allows access to information (Sharma, 2005), stimulates mutual understanding (Gao & Zhang, 2006) while at the same time it promotes the development of collaboration and shared objectives among key stakeholders (Andriof & Waddock, 2002). In other words, through stakeholder engagement, companies simultaneously build positive relationships and effective strategy (Wayne Gould, 2012).

In general, O’Riordan and Fairbrass (2013) defined stakeholder engagement as practices that involve stakeholders positively in organizational activities which in turn includes the process of establishing, developing and maintaining stakeholder relations. Along similar lines, Greenwood (2007) defines stakeholder engagement as “practices that the organization undertakes to involve stakeholders in a positive manner in organizational activities” (p. 315). It should be noted that for the purposes of this study we have adopted Greenwood’s (2007) definition. Although stakeholder engagement is considered very important for organizations in general, scholars have not reached yet a consensus about what stakeholder engagement itself entails, or what the characteristics of effective engagement should be (Sloan, 2009). Recent stakeholder engagement literature reveals that companies which move from merely informing stakeholders to actively involving stakeholders can develop internal capabilities that reduce their resource-dependence uncertainty (Watson et al., 2018).

2.4 Stakeholder engagement and innovation

Stakeholder engagement is considered as an important organizational capability and a key factor for innovation (Ayuso et al., 2011; Sloan, 2009; Watson et al., 2018), as the engagement of stakeholders with their ideas and resources improves the company’s innovation capabilities (Ommen, Blut, Backhaus, & Woisetschläger, 2016) and innovation strategies (Iturrioz, Aragón, & Narvaiza, 2015). Douthwaite, Keatinge, & Park (2001) assert that key stakeholders play a critical role in the development stage of an innovation. Thus, companies

will have the greatest opportunity to support the idea through various decisions by identifying them at the earliest (possible) phase in the innovation process (Widén, Olander, & Atkin, 2013).

However, the nature of an innovation project determines the number of stakeholders that have to be involved (Barlow, Bayer, & Curry, 2006). Different stakeholders may become vital to the survival and success of an innovation project, which may then require adjustments during the project life cycle to balance the needs of competing interests (Brown, 2003). Further to this, Markovic and Bagherzadeh, (2018) point out that the literature provides contradicting evidence on the effects of stakeholders' engagement in the innovation performance. Therefore, companies need to consider which stakeholders to involve in which types of innovation (Szekely & Strebel, 2013). In the SMEs context, the role of the owner-manager as the stakeholder for the creation of innovations as well as for the entire innovation process has been highlighted (Werner et al., 2018).

3. Research Methodology

This study is exploratory in nature by involving a qualitative approach concerning the analysis of innovation management within four SMEs in the context of the alcoholic beverage sector where studies are limited. Given that, a case study methodology (Yin, 2014) has been chosen as the research design. Denzin and Lincoln (2008, p. 123) described a case study as a way of providing "insight into an issue". Despite the key constraint represented by the low statistical representativeness, case studies are often used to understand a specific phenomenon in depth (Ellonen, Wikström, & Jantunen, 2010; Easton, 2010), bringing rich data to light (Fink & Disterer, 2006; Fruhling & Keng, 2007; Gerring, 2009) and capturing knowledge from practitioners (Bonoma, 1985; Fruhling & Keng, 2007). In addition, they are suitable for obtaining a rich understanding of small firm activity (i.e., Ibeh, Ibrahim, & Panayides, 2006; von Weltzien Hoivik & Melé, 2009). The case study method provides a structured framework

whereby the researchers are able to create a context based on all the sources of information that are available to them and where the interviews will act as the catalyst that produces new knowledge out of this process (Theodoridis, 2014). The focus of the case study is on a real-life context giving a detailed report of a specific case (Blaxter, Hughes, & Tight, 2006; Eisenhardt & Graebner, 2007; Gerring, 2009). Berg (2004) has stated that case studies enable a systematic gathering of sufficient information about an organization to allow an effective understanding of how the subject under consideration operates or functions.

3.1 Data collection and procedure

Initially, ten (10) Italian SMEs with similar characteristics engaged in the production of alcoholic beverages were approached by one of the researchers. These were chosen by using specific sampling criteria (Yin, 2014; Silverman, 2000; Eisenhardt, 1989). All these companies are family owned, SMEs (based on the sales volume), Italian, with a high willingness to innovate, and producers of well-known alcoholic beverages. Four of them agreed to participate.

The data-collection method used in this work consists of semi-structured in-depth interviews with the key people who were involved in new product development and subsequent innovation management strategies (Scandellius & Cohen, 2016). The interviews were conducted with internal stakeholders (owners, R&D/production managers and employees) following Neubaum et al.'s (2012) definition. In total, 22 informants were interviewed (4 owners, 4 R&D/production managers and 14 employees) to capture the internal stakeholders' views. Interviewing multiple informants at different levels leads to a better understanding of issues under investigation and to the enrichment of data (Eisenhardt, 1989). The specific sample size can be considered satisfactory, on the grounds that (according to Creswell, 2013) four or five interviews per case study suffice to retrieve a reliable amount of data for research purposes. Moreover, the appropriate number of interviews for a case study depends on various

factors, such as the size of the organization, the phenomenon explored, as well as the scope and timeframe of each study (Pan & Tan, 2011). Following the above claim, Table 1 provides the distribution of the interviewees within each case for the current research.

Table 1. Distribution of the interviewees within each case

Company	Owner	R&D/Production Manager	Employees
A	1	1	5
B	1	1	3
C	1	1	3
D	1	1	3

These interviews were conducted during the period of October-December 2016, and within the working hours of the respondents (internal stakeholders) at the premises of each company. The interviews lasted from 30 minutes to 1 hour. For confidentiality purposes, we agreed with the respondents not to reveal the company's name, the respondents' identity nor the interviews' content (Pantano, Passavanti, Priporas, & Verteramo, 2018; Towers & Xu, 2016). The interview guide that was designed was sent to the interviewees via email before conducting the interview, so that they could be prepared. In order to ensure that the validity, reliability and reflexivity parameters of the research process have been safeguarded, adding to the quality of the study, procedures similar to qualitative exploratory research already encountered in the literature on how to conduct case studies (see Carson, Gilmore, Perry, & Gronhaug, 2005; Flyvbjerg, 2006; Yin, 2014) have been followed. A semi-structured interview guide was used, and the interviews were audio-recorded and transcribed verbatim and translated from Italian to English for analysis. For validity purposes the participants received a summary of the analyzed data to confirm the authenticity (Lorenzini, Mostaghel, & Hellström, 2018; Moustakas, 1994), and to ensure reliability, a common interview guide was used (Moustakas, 1994). Also, the same interviewer conducted all interviews.

The analysis was carried by using an interpretative method to allow the researchers to acquire a more complete and in-depth understanding of the data. The researchers followed Eisenhardt's (1989) within-case data analysis approach. The advantage of this approach is the development of "detailed case study write-ups for each site" (Eisenhardt, 1989, p. 540). This allows the researchers to reflect on their data but also allows the validation of the analysis by the interviewees. Finally, Eisenhardt (1989) mentions that the opportunity to develop a rich familiarity with each case is provided by the process of theoretical replications.

Furthermore, the cases were analyzed by evaluating the innovation outcomes (product innovation) or 'radicalness' in terms of:

- i) destructiveness or novelty of the product (see Kasmire et al., 2012; McDermott and O'Connor, 2002; Qin and Wang, 2007; Varadarajan, 2009);
- ii) new skills required (e.g. Benner and Tushman, 2003; Brettel et al., 2011; Lu and Chen, 2010; Valle and Bustelo, 2009); and
- iii) risks involved—related to the technical and market uncertainty (see, for instance, Brettel et al., 2011; Laforet, 2013; Pantano et al., 2013; Song and Montoya-Weiss, 1998).

Thus, the radicalness score has been calculated as an average of the above three dimensions. For each variable, a separate score has been identified (i.e. low 0-1.99, moderate 2-3.99 and high 4-5) for measuring the radicalness of products, which emerges as the sum of the scores.

The innovativeness measure as (i) the combination of background and skills of the entrepreneur, (ii) the rate of innovation, (iii) investments in product improvements and in the search for new markets, (iv) innovative distribution channels, (v) product innovation strategies and (vi) the role of the entrepreneur in the promotion of innovation. Innovation has been evaluated through MAXQDA software, a computer-assisted qualitative data analysis tool which facilitates the easy sorting, structuring, and analysis of large amounts of text and other data and facilitates the management of the resulting interpretations and evaluations (Silver &

Lewins, 2014). Finally, following literature (Tellis, 1997; Yin, 2014) the emerging data have been further triangulated with secondary data (consulting annual reports and non-participant observation).

4. Findings

4.1 Radical vs incremental outcomes

We considered the radicalness of the products introduced in the last five years for each company, by evaluating the 21 products for company A, 1 for company B, 4 products for company C and 3 for company D. In addition to the existing (traditional) products of each company, we also took into consideration their new products which were diversified in terms of new bottles different sizes, enriched receipts etc. Starting from the three main conditions for evaluating the radicalness of a certain new alcoholic beverage emerging from the literature (destructiveness, required skills and involved risks), our analyses show the different scores of radicalness values per product per company (Table 2).

Table 2: Radicalness values per product per company.

Company	New Products	Radicalness value
A	1	1
	2	1
	3	1.2
	4	1.5
	5	1.5
	6	1.5
	7	1.5
	8	1.5
	9	1.8
	10	2
	11	2

	12	2
	13	2.2
	14	3
	15	3
	16	3
	17	3.1
	18	3.2
	19	3.5
	20	3.8
	21	3.9
B	1	5
C	1	4
	2	4
	3	4
	3	4
D	1	4.3
	2	4.3
	3	4.3

Table 3 summarizes the value of each measure per company, while Figure 1 supports the comparison among companies.

Table 3: Measurement values of level of innovativeness per company.

Companies	Entrepreneur's skill	Rate of innovation	Investments	Innovative distribution channels	Product innovation strategies	Role of entrepreneur
A	4	4	4	1	3	5
B	4	4	4	5	5	5
C	3	4	4	5	4	5
D	5	5	3	1	5	5

A correspondence emerges from the results (radicalness values and innovativeness map) (figure 1), by figuring out a link between the innovativeness and radicalness of the

outcomes. However, in the case of Company A, the number of incremental innovations is higher than the number of radical innovations considering the total number of the company's products. On the contrary, the case of company B demonstrates the maximum level of radicalness and the highest level of innovativeness resulting from the high values of the subcomponents (namely, 4 for entrepreneur skills, rate of innovation, and investments; and 5 for innovative distribution channels, product innovation strategies and role of entrepreneur). In the last two cases (C and D) innovation can be considered as mainly radical given that they reached a score higher than 3 in most of the 3 dimensions describing radicalness.

Although the incremental innovations are predominant in the context of the food and beverage sector (Capitanio et al., 2010; Fassio, 2012), our findings show to what extent radical innovations characterize the innovation outcomes of each company. In particular, our analyses have demonstrated that certain products, in a few cases (such as Company B and the radical products of Company D) exhibit the highest scores concerning radicalness, by reaching the market with various novel features: (1) the first bitter alcoholic beverage (the company's flagship product) to be served frozen (directly from the freezer), thus concerned both the raw materials and the manufacturing process; (2) alcoholic beverages studied which focused on a particular kind of minority (particular market niche) without links to other products in the beverage sector; (3) new drink using totally new ingredients (i.e. particular herbs) or new manufacturing (i.e., biological). In contrast, the other incremental product shows novelty in new packaging (i.e. new labels, new size of the bottles, etc.).

Concerning the second dimension referring to the required skills (skills and capacities compulsory for producing certain alcoholic beverages); when these skills are found outside the firm, they relate to radical innovations (Benner & Tushman, 2003; Brettel et al., 2011; Lu & Chen, 2010; Valle & Bustelo, 2009). Due to the composition of the alcoholic beverages, many skills and capacities need to be found outside the firm's boundaries, which would involve a

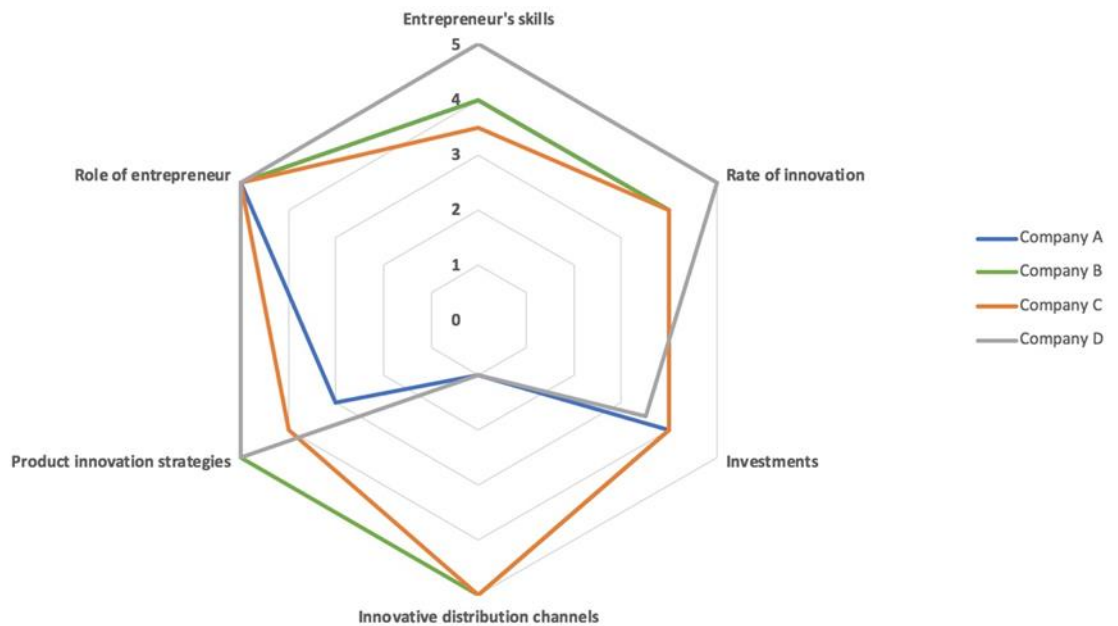
stronger engagement with stakeholders (with emphasis on the external ones). For instance, some of the ingredients of the new drinks are not based on local materials and, therefore, they should be provided by external suppliers. Some producers started the production with local ingredients, such as local herbs, but then they enriched their drinks with material from other regions aiming to explore new flavors. Similarly, the small size of the companies would need external competencies to design and produce, for instance, new packages and bottles.

Regarding the risks, we focused on two kinds of risk: technical and market risk. The higher the score of this dimension, the higher the likelihood that a certain product will be related to a radical innovation (Brettel et al., 2011; Pantano et al., 2013; Song & Montoya-Weiss, 1998). Apart from the risks linked to the manufacturing process, the most worrying risks were related to the market; in fact, all of these alcoholic beverages have particular flavors, as a consequence, the main concern was the final consumers' acceptance.

4.2. Link between innovative outcomes and enterprise innovativeness

Although only one product out of all products assessed per company reaches the maximum score in all the three dimensions of radical innovativeness (the one product in Company B), it is possible to state that there is a commendable radicalness level. Afterwards, the analysis focused on the evaluation of the innovativeness level of the four firms, which has been assessed by referring to the six dimensions gathered from the literature. Results showed that all four firms can be considered as innovative SMEs due to the high scores achieved in the majority of the analyzed dimensions. Figure 1 displays the obtained results (innovativeness map).

Figure1: Level of Innovativeness



With regard to company A the findings also showed a link between the level of radicalness of the outcomes and the innovativeness (Figure 1 and Table 2). The first one was made up of the six variables (gathered from the literature analysis) and its main aim is to aid the entrepreneur and CEO in analyzing the innovativeness level of the company; whereas the second one is focused on the level of radicalness of each alcoholic beverage. Starting from the analysis of the innovativeness map, it is possible to observe that in this firm the role of the entrepreneur is extremely important, as evident in the case of the family business where the role of the entrepreneur is fundamental. The high scores referring to entrepreneurial skills, the rate of innovation and investments in product improvements and the search for new markets, confirm the huge importance of the entrepreneur within the innovation processes. In fact, the entrepreneur pushes the company to innovate faster than its main competitors while launching the new alcoholic beverages into the market (high rate of innovation). Moreover, the company continuously invests in new product development and the search for new markets. Apart from the use of innovative distribution channels (as they use only traditional channels), company A can be considered as an innovative SME.

By comparing the innovativeness and radicalness maps, a link between these two variables emerges. In fact, the structure of the level of innovativeness in company A allows the company to produce a higher level of radical innovations as demonstrated by the radicalness map (38.1% of the total drinks are radical innovations). In the case of company B, the link between the two dimensions is evident since it is due to the introduction of a single new product in the last years.

In company C, the role of entrepreneurs is predominant. The importance of them within the innovation process is also confirmed by the high scores referring to skills required in the creation of new product and investments both in the product improvements and research of new markets. This means that entrepreneur also promotes a fast innovation throughout the launch of new products and the continuous investments in new products development, the search for new markets and the use of innovative distribution channels.

Following a similar pattern with company C, Company D scored the highest value for entrepreneur's skill, rate of innovation, product innovation strategies and the role of entrepreneur, thus highlighting the pivotal role of the entrepreneur in the innovation process; on the other hand, the company has 3 as the value in terms of investments and only 1 in the innovative distribution channel, which emerges to be the major weakness of the innovation process.

4.3. Innovation and stakeholder engagement

Interviewees were asked to provide their views on the management of innovation regarding new products (drinks). While respondents considered innovation as a key factor for the success and survival of their firms, since it has a great importance in the creation of new products or in the improvement of the current ones, they highlighted the leading role of the entrepreneurs (owners) in this effort. Miller and Le Breton-Miller (2005) point out that owners

and managers of family businesses have strong incentives to act for their companies' growth. It is evident that the "ideas" are generated almost exclusively by the owners who are the main internal stakeholders and the main actors in the innovation process, while their vision is the driver of the relationship between the company's ability to innovate and the innovation outcomes. They see innovation as a source of competitiveness and survival. This finding is in line with the findings of previous studies (Zahra, Hayton, & Salvato, 2004). The employees, as another major internal stakeholder just try to realize the owners' ideas. Mainly this is due to the fact that there are not any formal practices involving employees in innovation, which is a typical characteristic of family owned firms. De Massis et al. (2015), for example, have pointed out that family-owned firms usually tend to adopt an unstructured or flexible approach as regards the innovation process. Another prominent reason is the fact that employees lack access to internal information on current or future innovation process, which may in turn influence their engagement in the innovation process. This may result from the fact that owners consider their employees not to be skilled enough, as previous literature has shown (Posch & Wiedenegger, 2014; Sirmon & Hitt, 2003). Only in a very limited number of innovation projects do the R&D managers and some of the rest of employees contribute with some ideas. Innovations by employees are easier to realize by companies since employees are the first step of innovations (Schweisfurth & Herstatt, 2016).

Regarding external stakeholders, only company A collaborates with external stakeholders (universities) in some innovation projects to improve some aspects of the innovation process. This company is trying to engage external stakeholders as a source to improve the innovation process, but stakeholders are limited to collaboration with universities. Although past studies (Holmes & Smart, 2009; Yaziji, 2004) have identified that collaborations with non-governmental or not-for-profit institutions can improve the innovation process, the SMEs still have a limited understanding of the possible emerging benefits from a systematical

and continuous cooperation with universities and other research centers or other external stakeholders.

5. Conclusions

This study has explored the link between innovation process and innovation outcomes in relation to new drinks by highlighting the underestimated role of stakeholders as a key factor towards improving the innovation process.

In accordance with past studies on the important role of entrepreneurial vision for innovating (Avermaete et al., 2004; Capitanio et al., 2009), these firms' CEOs/owners are the main people responsible for the innovation strategies, with a very limited participation of other internal stakeholders (employees) or even absent external stakeholder engagement. Their vision (highly focused on innovating to compete) strongly encourages the development of new products, with attention to both possible future markets and the usage of territorial specialties, which is usually a characteristic of large firms (Ardito, Messeni-Petruzzelli, & Albino, 2015; Baregheh, Rowley, Sambrook, & Davies, 2012; Pantano & Viassone, 2014). This indicates a high level of innovativeness, which is quite surprising considering these firms are SMEs. Entrepreneurial vision seems to overcome the limitations of the capacity of a small-medium size enterprise to innovate (Dadura & Lee, 2011; Muscio et al., 2010) by pushing the importance of creating new products to maintain/satisfy existing consumers and attract new ones and by focusing on the usage of local material for manufacturing.

Our study reveals the extent to which small, family owned firms are also able to develop radical innovations in terms of new products and new markets; our findings have also shown how this depends on the vision of the entrepreneur supported by the R&D team (i.e. the internal stakeholder) (Avermaete et al., 2004; Capitanio et al., 2009). On the other hand, it has become evident that the engagement of external stakeholders (e.g. universities) can assist in

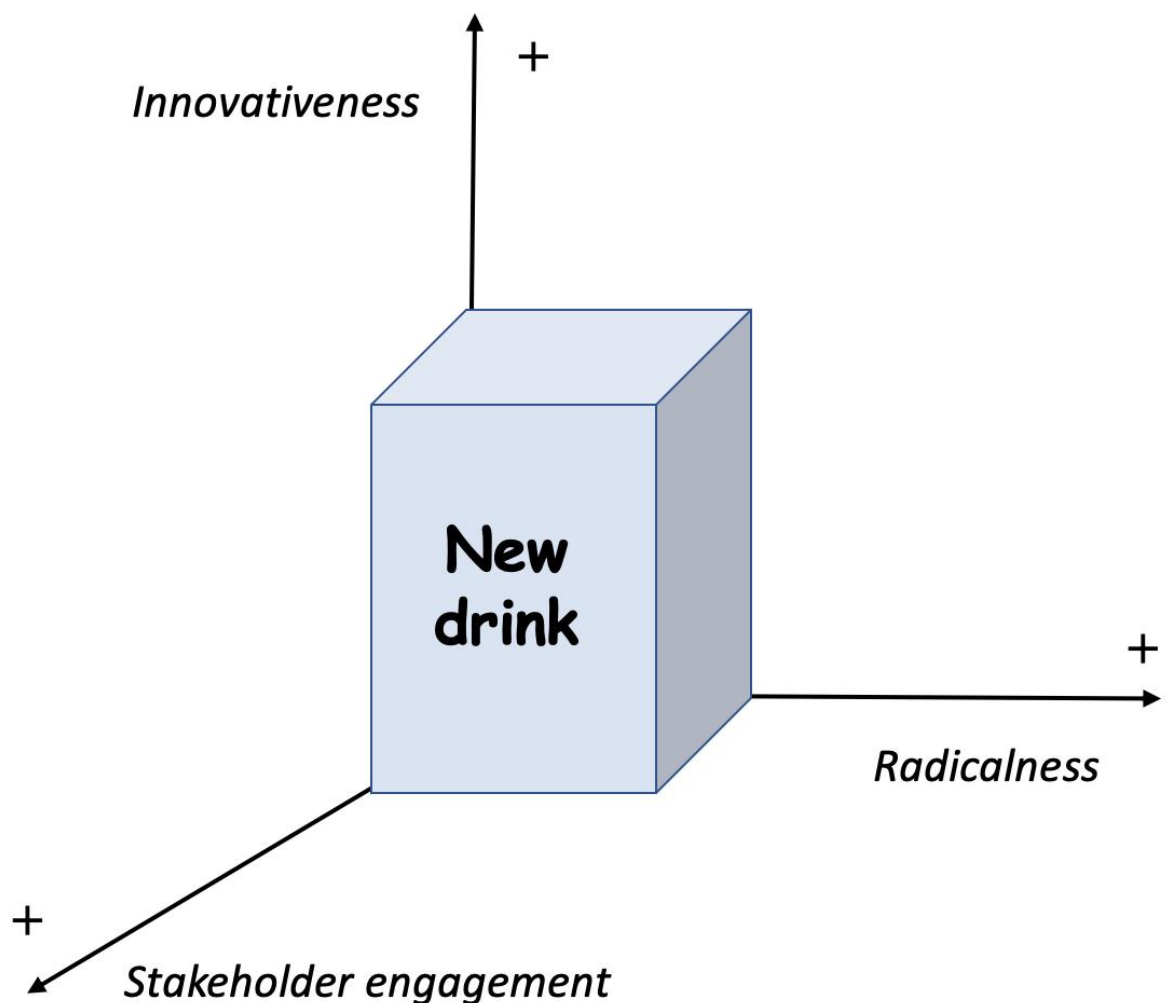
establishing the right balance between entrepreneurial innovation and existing market and technology capabilities. Similarly, the stakeholder engagement would help in the penetration of existing markets with new products in terms of development of radical innovations to satisfy new segments; as well as in the exploitation of new markets with the development of incremental innovations (in other words through the improvement of existing products such as existing drinks with new packaging).

Although our findings confirm not only the importance of internal stakeholders for the company's survival in terms of owners and the internal R&D team (Neubaum et al., 2012), but also the limited engagement of their employees which is in line with the relevant literature (Kumar and Pansari, 2016). They also highlight the extent to which a higher external stakeholder engagement would result in a reduction of the risk while innovating, whilst improving the exploitation of existing resources (human, financial, and technological). Indeed, our case study companies seem to miss a systematical practice that involves stakeholders in the innovation process, by losing the benefits emerging from this involvement (Greenwood, 2007; O'Riordan & Fairbrass, 2013).

To conclude, a link between innovativeness and final innovation outcome (either radical or incremental) does exist, which actually consists of a new alcoholic beverage (i.e. new flavors, bottles, totally new drinks for new markets, etc.). Along these lines, stakeholders' engagement plays an immense role in this link, since the findings underline in particular the entrepreneurs' role as the main player in the innovation processes. More specifically, the entrepreneurs' (company owners') skills have an impact on the rate of radicalness of the innovation outcomes (i.e. of the new drinks); on the contrary, the external stakeholder engagement which still remains at low levels (still limited) would support the development of more radical innovations, as previous literature suggests (Tödtling et al., 2009), despite the fact that Company A (the one that collaborates with an external stakeholder) exhibits the lowest

level of radicalness. A possible explanation for that may be that collaboration with (both internal and external) stakeholders is weak and limited to some projects, while employees' engagement is almost absent or can be hardly attested. We have synthesized our results in Figure 2, while identifying the link between the stakeholders' engagement (without quantifying the level of engagement nor the external of internal stakeholders) and the level of radicalness of innovation outcomes. As a result, Figure 2 graphically summarizes the function of a new drink (ND)= $\alpha x + \beta y + \gamma z$, where x stands for the innovativeness, y represents the radicalness, and z is the stakeholder engagement.

Figure 2: The link between innovativeness, radicalness and stakeholder engagement on the development of new drinks.



The family owned SMEs need to be more proactive and cooperate more dynamically with external stakeholders such as universities since they can provide new knowledge (Ayuso et al., 2011; Rosenbusch, Brinckmann, & Bausch, 2011; Zhai et al., 2018), as well as to establish strong networks with the other externals such as customers, suppliers to capture information and to advance the innovative activities (Santoro et al., 2017; Werner et al., 2018). Furthermore, the SMEs need to engage their employees (internal stakeholders), one of the major stakeholders, by providing them detailed information on the innovation projects (Provasnek, Schmid, & Steiner, 2018), by taking advantage of their employees' past knowledge and experience in new product development process (De Massis et al., 2016) and by creating an organization culture for innovation, which will motivate and enable employees to learn and apply new knowledge to boost innovativeness and improve performance (Ayuso et al., 2011; Broekaert, Andries, & Debackere, 2016; McDowell, Peake, Coder, & Harris, 2018; Ng & Kee, 2018; Zhai et al., 2018). De Massis et al. (2015), argue that giving empowerment to employees in family firms enhances the flexibility and speed of innovation. In addition, SMEs can integrate stakeholder engagement activities (e.g. for employees) into firms' internal initiatives (Provasnek et al., 2018). Finally, given the importance of SMEs for any national economy (Ng & Kee, 2018), policy makers at both local/regional and national levels should assist the SMEs effort to be innovative and thus competitive by providing funds for training and regional collaboration.

5.1. Limitations and suggestions for future research

Although these cases represent a sort of breakthrough among family owned SMEs, the results emerging from this analysis may lack generalization (De Massis, Frattini, Pizzurno, & Cassia, 2015). Another limitation of our study is that in its present form it is not feasible to quantify the value of the coefficients α , β , and γ , which could be figured out through additional

quantitative studies. Apart from the quantitative evaluation of the coefficients α , β , and γ , exploring the quality and typology of the link between innovativeness and innovation outcomes may also be a promising topic for future research. More precisely, this link could be explored by evaluating the exact relationships between the two variables, with benefits for predicting innovation diffusion and development among SMEs. Future studies could also extend our analysis through longitudinal studies on other small firms including non-family owned ones to achieve more generalizable results, as they might differ in operation style and face a different set of stakeholders (Neubaum et al., 2012), as well as in product innovation strategies and organization of the innovation process (De Massis et al., 2015). It would be possible to further compare this relationship between SMEs and large enterprises, and to map the common practices that characterize successful innovation in the food and beverage sector. Additionally, as this study included only internal stakeholders, further studies could involve external stakeholders as well to complete the picture. Our study explores qualitatively the engagement of stakeholders as an important source of innovation, without explicating the level of stakeholder engagement (from low to high) leading to a certain innovation outcome. Thus, future quantitative studies might further corroborate our findings, allowing at the same time a deeper understanding of the link between innovation process and innovation outcomes as mediated by stakeholders. Finally, forthcoming studies could explore the causal relationship that holds between the different levels of engagement, and the radicalness of the innovation outcome with respect to novelty features of new drinks.

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